

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,	)	
regarding the regulatory reviews, revisions,	)	
determinations, and/or approvals necessary for	)	Case No. U-15805
<b>CONSUMERS ENERGY COMPANY</b> to fully comply	)	
with Public Acts 286 and 295 of 2008.	)	
_____	)	

At the March 10, 2017 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman  
Hon. Norman J. Saari, Commissioner  
Hon. Rachael A. Eubanks, Commissioner

**ORDER**

On June 21, 2013, Consumers filed an application under MCL 460.1033(3) for *ex parte* Commission review and approval of a Wind Turbine Purchase Agreement (WTPA) for the Cross Winds™ Energy Park (Cross Winds). Cross Winds is a 105.4 megawatt wind farm located in Tuscola County, Michigan. The Commission approved this application on June 28, 2013.

On November 14, 2016, Consumers filed an application requesting *ex parte* Commission approval of an amended WTPA with General Electric Company (GE). The contract to secure an additional 19 wind turbine generators (WTGs) for Cross Winds II, with an option to purchase 33 WTGs for a future build to be called Cross Winds III, was approved on December 20, 2016.

On February 13, 2017, the company filed its application seeking approval of the engineering, procurement, and construction (EPC) contract with White Construction, Inc. to construct Cross

Winds II. Similar to the WTG agreement, the EPC contract includes the option to construct Cross Winds III.

The Commission approved Consumers' renewable energy plan (REP) on March 29, 2016 in Case No. U-17792, and the approved plan included the construction of an additional wind farm in 2022. Due to the extension of the federal production tax credit (PTC), Consumers saw benefit in moving up the construction date of Cross Winds II to begin in 2016. By making a safe harbor payment to GE for WTGs by the end of 2016 the company has secured the full PTC for Cross Winds II and Cross Winds III.

In its application, Consumers states that the installed cost for Cross Winds II will be \$45 per megawatt-hour, which is less than the installed cost of \$87 per megawatt-hour assumed in Consumer's REP in Case No. U-17792 for the 2022 wind farm.

In its application, Consumers requests that the Commission provide assurance that the full costs of the Cross Winds II project will be recoverable through the combined application of the transfer price mechanism, application of the renewable energy surcharges, and, subject to the end of the renewable energy plan period, an appropriate ratemaking mechanism. Consumers states that the requested contract approval will not result in an alteration or amendment in rates or rate schedules and will not result in an increase in the cost of service to customers because the contracts are consistent with the planning activities, expenses, and revenue recovery mechanisms and surcharges approved in Consumers' REP in Case No. U-17792. Therefore, Consumers' application may be authorized and approved without notice or hearing pursuant to MCL 460.6a(1).

### Discussion

MCL 460.1033 provides in part:

(1) Subject to subsections (2) and (3), an electric provider that had 1,000,000 or more retail customers in this state on January 1, 2008 shall obtain the renewable

energy credits that are necessary to meet the renewable energy credit standard in 2015 and thereafter as follows:

\* \* \*

(a) At the electric provider's option, up to but no more than 50% of the renewable energy credits shall be from any of the following:

(i) Renewable energy systems that were developed by and are owned by the electric provider. An electric provider shall competitively bid any contract for engineering, procurement, or construction of any new renewable energy systems described in this subdivision.

\* \* \*

(3) An electric provider shall submit a contract entered into pursuant to subsection (1) to the commission for review and approval. If the commission approves the contract, it shall be considered to be consistent with the electric provider's renewable energy plan.

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MCL 460.1047 provides in part:

(1) Subject to the retail rate impact limits under section 45, the commission shall consider all actual costs reasonably and prudently incurred in good faith to implement a commission-approved renewable energy plan by an electric provider whose rates are regulated by the commission to be a cost of service to be recovered by the electric provider. Subject to the retail rate impact limits under section 45, an electric provider whose rates are regulated by the commission shall recover through its retail electric rates all of the electric provider's incremental costs of compliance during the 20-year period beginning when the electric provider's plan is approved by the commission and all reasonable and prudent ongoing costs of compliance during and after that period. The recovery shall include, but is not limited to, the electric provider's authorized rate of return on equity for costs approved under this section, which shall remain fixed at the rate of the electric provider's renewable energy plan was approved.

(2) Incremental costs of compliance shall be calculated as follows:

(a) Determine the sum of the following costs to the extent those costs are reasonable and prudent and not already approved for recovery in electric rates as of the effective date of this act:

(i) Capital, operating, and maintenance costs of renewable energy systems or advanced cleaner energy systems, including property taxes, insurance, and return on equity associated with an electric provider's renewable energy systems or advanced cleaner energy systems, including the electric provider's renewable energy portfolio established to achieve compliance with the renewable energy

standards and any additional renewable energy systems or advanced cleaner energy systems, that are built or acquired by the electric provider to maintain compliance with the renewable energy standards during the 20-year period beginning when the electric provider's plan is approved by the commission.

(ii) Financing costs attributable to capital, operating, and maintenance costs of capital facilities associated with renewable energy systems or advanced cleaner energy systems used to meet the renewable energy standard.

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The Commission has reviewed the EPC contract pursuant to Act 295 and finds that the contract should be approved. The Commission finds that the projected cost per megawatt-hour price under the contract is less than what was approved in Consumers' REP and that the contract is consistent with the company's plan. The Commission will address recovery of costs associated with Cross Winds III if or when the company elects to exercise its option under the WTPA and the EPC. The Commission finds that *ex parte* review and approval is appropriate, as the contract will not affect rates or rate schedules resulting in an increase in the cost of service to customers.

THEREFORE, IT IS ORDERED that the engineering, procurement and construction contract with White Construction, Inc. is approved as in compliance with Public Act 295 of 2008.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at [mpscedockets@michigan.gov](mailto:mpscedockets@michigan.gov) and to the Michigan Department of the Attorney General - Public Service Division at [pungpl@michigan.gov](mailto:pungpl@michigan.gov). In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

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Sally A. Talberg, Chairman

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Norman J. Saari, Commissioner

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Rachael A. Eubanks, Commissioner

By its action of March 10, 2017.

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Kavita Kale, Executive Secretary